

**OFFICE OF THE SPECIAL TRUSTEE
FOR AMERICAN INDIANS**

WITNESSES

Paul M. Homan	Special Trustee for American Indians
Joe C. Christie	Special Assistant to the Special Trustee for American Indians
Donna M. Erwin	Director, Office of Trust Funds Management
Douglas A. Lords	Deputy Director, Office of Trust Funds Management
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Mary Ann Lawler	Director, Office of Budget, Office of the Secretary

OPENING STATEMENT
of
PAUL HOMAN, SPECIAL TRUSTEE FOR AMERICAN INDIANS
before the
SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
April 15, 1997

Introduction

Good morning, Mr. Chairman and Members of the Subcommittee. I appreciate the opportunity to present the President's FY 1998 budget request for the Office of the Special Trustee for American Indians (OST). The 1998 request for OST is \$39.3 million, a \$5.2 million increase over the 1997 enacted level of \$34.1 million. With funds appropriated in 1997, the Special Trustee will initiate reform efforts and begin to make critically needed improvements to IIM accounting systems, policies, practices and procedures which will allow funds to be properly accounted for once collected. However, deficiencies will continue in the Department's trust management functions until additional systems are acquired and implemented.

The funding requested will go towards on-going operations as well as continued efforts to bring trust resource management, accounting, investment, and related systems up to industry standards. Funding requested under the OST Budget in FY 1998 supports ongoing trust fund operations of OST, and improvements to trust asset management functions of both OST and BIA operations.

The Office of Special Trustee (OST) has both operating and oversight functions. OST has direct operating responsibility for approximately \$3 billion of funds held in trust for Indian tribes and individuals, chiefly investment and disbursement functions. Additionally, OST has general oversight responsibilities of Indian trust asset reform efforts Department-wide, including BIA, BLM, and MMS Indian trust functions.

Executive Direction

The budget provides \$1.7 million for Executive Direction, which supports staffing of the immediate office of the Special Trustee and includes \$250,000 for support of the Intertribal Monitoring Association and \$200,000 for the Advisory Board. These groups advise the OST on trust funds matters. The funding for the OST staff will be essential for the implementation of the comprehensive strategic plan.

Operations

The OST's budget includes \$19 million to be utilized to conduct day to day operations of financial trust activities at the Office of Trust Funds Management (OTFM) including the field staff at the 12 BIA area offices and 49 BIA agencies.

Program increases in the amount of \$773,000 are requested in FY 1998. The additional funds requested include: \$200,000 for the full year cost of the Annual Lease Trust System and \$573,000 for increased support for Settlement and Litigation Activities. With the exception of these small increases, this is a level budget for operations activities in FY 1998. These operating funds provide for

the continuance of ongoing activities such as the issuance of quarterly statements to account holders, specialized fiduciary staff training, technical assistance and advice to field offices and tribes, accurate and timely reconciliation of financial trust activities, internal and field audits, including the continuance of the tribal trust and investment system, an annual third party financial audit, improved customer service to Indian country through the branch of customer service, and funds to support ongoing settlement and litigation requirements.

Improvement Initiatives

The budget includes a total of \$18.7 million to continue and initiate a number of fiduciary improvements. These funds also provide for the clean up of IIM data bases and isolation of accounts that lend themselves to dormant status to ensure the protection of those funds.

With the funds requested in the FY 1998 budget, \$16.7 million will be available for continued implementation of Indian trust management systems improvements. Based on preliminary cost estimates, approximately \$5-6 million will be necessary to cover recurring costs related to IIM improvements planned for 1997, leaving about \$10-11 million for improvements to additional systems: Trust Asset and Accounting Management and Land Title and Records Management. The funding requested will be prioritized to correct the most critical system deficiencies. The majority of this funding will be utilized to address the inadequacies and inefficiencies that are pervasive in the current IIM system. *(most people, 300,000)*

\$1.8 million is requested for records management improvements, storage and archiving. Improvements to OST and BIA records management functions are critically needed, and will include starting initiatives for records management staffing and training; and moving significant volumes of active and inactive records currently dispersed throughout the BIA to adequate storage facilities.

\$150,000 is requested to provide general advisory technical assistance to tribes as authorized in the American Indian Trust Fund Management Reform Act of 1994 for tribal withdrawal of trust funds based upon approved plans.

The budget proposes to continue efforts under the direction of the Special Trustee to ensure that the Federal Government fulfills its Indian trust management responsibilities.

Strategic Plan

During this past year, the OST has been extensively involved in the development of the Strategic Plan as called for in the American Indian Trust Fund Management Reform Act of 1994. This plan has been through tribal consultation, and a contractor's report (in draft and not as yet accepted by the OST) has further developed estimates of costs for implementation of the plan. The plan will be submitted to the Congress shortly.

This concludes my opening statement, Mr. Chairman. I and other OST officials will be pleased to answer questions of the Subcommittee.

**OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS
FY 1998 EXECUTIVE SUMMARY**

Funding Levels (000's)

	1996 ENACTED	1997 ESTIMATE	1998 REQUEST	CHANGE FROM 96	CHANGE FROM 97
OFFICE OF THE SPECIAL TRUSTEE	\$18,586	\$34,120	\$39,337	+\$20,751	+\$5,217

Note: FY 1996 amounts were funded in the BIA and are presented here for consistency purposes.

OST PROGRAM:

- OST manages \$3.0 billion of funds held in trust for Indian tribes and individuals. The balances that have accumulated in the Indian trust funds have resulted from payments of claims and judgment awards, investment income, and revenues from 56 million acres of trust land. Approximately \$2.5 billion of the funds are held in tribal funds for approximately 300 tribes. The balance of approximately \$500 million is held on behalf of individual Indians in approximately 300,000 accounts.
- The *American Indian Trust Fund Management Reform Act of 1994* authorized the Office of the Special Trustee (OST) to provide for more effective management of, and accountability for, the proper discharge of the Secretary's trust responsibilities to Indian tribes and individual Indians. In 1996, at the direction of Congress, the responsibilities and authorities of the Special Trustee were expanded by the transfer of the Office of Trust Funds Management (OTFM) and other financial trust services functions of the Bureau of Indians Affairs (BIA) to OST. The Special Trustee now has authority over and responsibility for trust monies of Indian tribes and individual Indians. Other trust related activities are carried out in the Department, principally by the BIA, the Bureau of Land Management and the Minerals Management Service.

OST 1998 REQUEST:

- The OST FY 1998 budget request totals \$39.3 million, a \$5.2 million increase over the FY 1997 level. The request includes both ongoing operational funding and improvements to other critical functions.
- Executive Direction is funded at \$1.7 million. Executive Direction funds the immediate Office of the Special Trustee and external boards and associations that advise the Special Trustee on trust matters.
- A total of \$37.6 million is requested for Program Operations, Support, and Improvements. This amount includes \$19 million for ongoing operations and \$18.7 million for improvement initiatives.
- The budget includes a total of \$18.7 million to continue a number of fiduciary improvements. \$16.7 million will be available for continued implementation of Indian trust management systems improvements, including recurring costs related to IIM improvements planned for 1997 and for improvements to additional systems. \$1.8 million is requested for OST and BIA records management improvements, storage and archiving, and \$150,000 is requested to provide general advisory technical assistance to tribes as authorized in the American Indian Trust Fund Management Reform Act of 1994 for tribal withdrawal of trust funds based upon approved plans.